

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Colfax-Mingo Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2007 Election)</b>		
Don Goodman	President	2008
Tom Wilson	Vice President	2007
Bill Gannon	Board Member	2009
Evan Heggen	Board Member	2009
Diane Mindham	Board Member	2008
Brian Mosher	Board Member	2007
Jeff Lietz	Board Member	2007
<b>Board of Education (After September 2007 Election)</b>		
Don Goodman	President	2008
Jeff Lietz	Vice President	2010
Tom Wilson	Board Member	2010
Mardell Tomlonvic	Board Member	2010
Bill Gannon	Board Member	2009
Evan Heggen	Board Member	2009
Diana Mindham	Board Member	2008
<b>School Officials</b>		
Ed Ackerman	Superintendent	2008
Deb Hodgson	District Secretary	2008
Kelly Wilson	District Treasurer	2008
Tom Foley	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Colfax-Mingo Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colfax-Mingo Community School District, Colfax, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Colfax-Mingo Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2009 on our consideration of Colfax-Mingo Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 41 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colfax-Mingo Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Colfax-Mingo Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,862,478 in fiscal 2007 to \$7,204,474 in fiscal 2008, while General Fund expenditures increased from \$6,966,928 in fiscal 2007 to \$7,531,320 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$589,392 in fiscal 2007 to a balance of \$262,546 in fiscal 2008, a 55.45% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal sources in fiscal 2008. The increase in expenditures was due primarily to an increase in the instructional functions from costs of salaries and benefit increases, as well as increases in utilities and transportation costs.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 7.65% for fiscal 2007 to 2.84% for fiscal 2008. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Colfax-Mingo Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Colfax-Mingo Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Colfax-Mingo Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Colfax-Mingo Community School District Annual Financial Report**

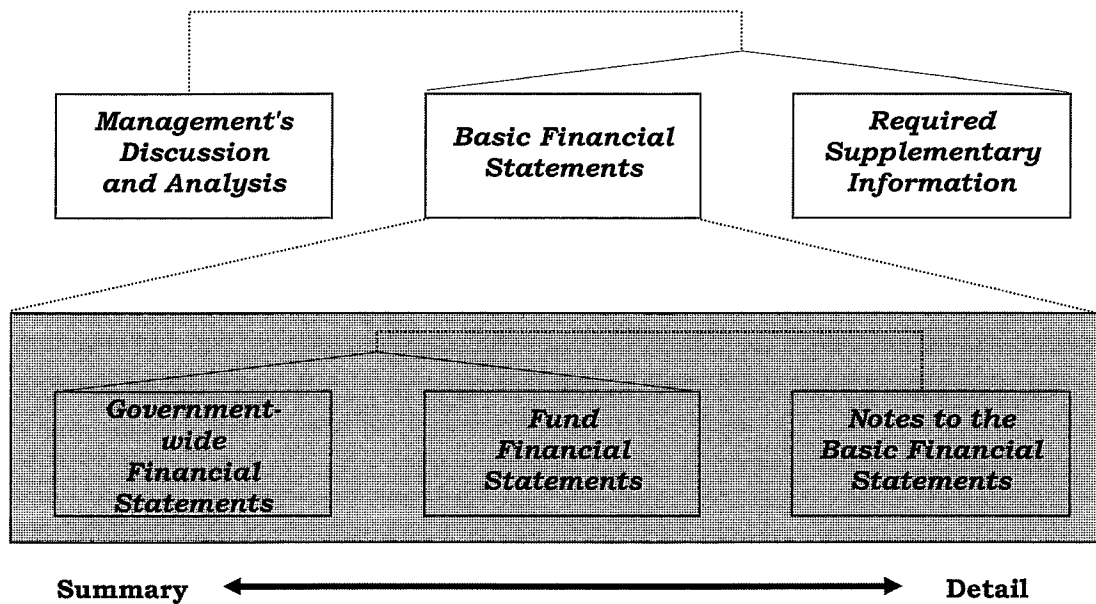


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and the Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

- 3) *Fiduciary funds:* The District is a trustee, or fiduciary, for assets that belong to others. These funds includes the Private Purpose Trust Fund and Agency Fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Funds - These are funds through which the District administers and accounts for certain revenue collected for other groups.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 5,878,437	6,488,585	(104,275)	12,857	5,774,162	6,501,442	-11.19%
Capital assets	11,520,551	11,649,772	48,440	23,055	11,568,991	11,672,827	-0.89%
Total assets	17,398,988	18,138,357	(55,835)	35,912	17,343,153	18,174,269	-4.57%
Long-term liabilities	8,842,458	9,388,382	0	0	8,842,458	9,388,382	-5.81%
Other liabilities	4,746,636	5,093,805	2,599	100,867	4,749,235	5,194,672	-8.57%
Total liabilities	13,589,094	14,482,187	2,599	100,867	13,591,693	14,583,054	-6.80%
Net assets:							
Investment in capital assets, net of related debt	2,830,455	2,354,837	48,440	23,055	2,878,895	2,377,892	21.07%
Restricted	718,595	708,889	0	0	718,595	708,889	1.37%
Unrestricted	260,844	592,444	(106,874)	(88,010)	153,970	504,434	-69.48%
Total net assets	\$ 3,809,894	3,656,170	(58,434)	(64,955)	3,751,460	3,591,215	4.46%

The District's combined net assets increased by 4.46%, or \$160,245, under the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$9,706, or 1.37% over the prior year. This increase was primarily due to the increase in the Debt Service Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$350,464, or 69.48%. This decrease was primarily due to the use of General Fund carryover balance to meet the financial obligations of the District.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 333,031	278,209	197,887	193,213	530,918	471,422	12.62%
Operating grants and contributions and restricted interest	1,046,394	786,832	180,632	143,873	1,227,026	930,705	31.84%
Capital grants and contributions and restricted interest	45,865	11,476	0	0	45,865	11,476	299.66%
General revenues:							
Property tax	2,430,940	2,499,907	0	0	2,430,940	2,499,907	-2.76%
Income surtax	258,919	274,506	0	0	258,919	274,506	-5.68%
Local option sales and services tax	486,750	501,684	0	0	486,750	501,684	-2.98%
Unrestricted state grants	3,901,550	3,669,855	0	0	3,901,550	3,669,855	6.31%
Unrestricted investment earnings	112,303	144,814	516	362	112,819	145,176	-22.29%
Other general revenues	28,419	134,478	0	0	28,419	134,478	-78.87%
Transfers	(27,799)	(15,347)	27,799	0	0	(15,347)	100.00%
Total revenues	8,616,372	8,286,414	406,834	337,448	9,023,206	8,623,862	4.63%
Program expenses:							
Governmental activities:							
Instructional	5,260,502	4,741,245	0	0	5,260,502	4,741,245	10.95%
Support services	2,255,955	1,875,485	1,465	0	2,257,420	1,875,485	20.36%
Non-instructional programs	0	0	398,848	356,152	398,848	356,152	11.99%
Other expenses	946,191	954,902	0	0	946,191	954,902	-0.91%
Total expenses	8,462,648	7,571,632	400,313	356,152	8,862,961	7,927,784	11.80%
Changes in net assets	153,724	714,782	6,521	(18,704)	160,245	696,078	-76.98%
Beginning net assets	3,656,170	2,941,388	(64,955)	(46,251)	3,591,215	2,895,137	24.04%
Ending net assets	\$ 3,809,894	3,656,170	(58,434)	(64,955)	3,751,460	3,591,215	4.46%

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 82.15% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 93.04% of the revenue from business-type activities.

The District's total revenues, net transfers were \$9,023,206 of which \$8,616,372 was for governmental activities and \$406,834 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 4.63% increase in revenues and an 11.80% increase in expenses. Unrestricted state grants increased by \$231,695 to fund expenditures. The increase in expenditures can be attributed to increases in negotiated salaries and benefits as well as increases in program expenditures funded by grants.

### Governmental Activities

Revenues, net transfers for governmental activities were \$8,616,372 and expenses were \$8,462,648.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 5,260,502	4,741,245	10.95%	4,161,913	3,938,873	5.66%
Support services	2,255,955	1,875,485	20.29%	2,253,987	1,862,484	21.02%
Other expenses	946,191	954,902	-0.91%	621,458	693,758	-10.42%
Totals	<u>\$ 8,462,648</u>	<u>7,571,632</u>	<u>11.77%</u>	<u>7,037,358</u>	<u>6,495,115</u>	<u>8.35%</u>

- The cost financed by users of the District's programs was \$333,031.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,092,259.
- The net cost of governmental activities was financed with \$2,430,940 in property tax, \$258,919 in income surtax, \$486,750 in local option sales and services tax, \$3,901,550 in unrestricted state grants, \$112,303 in interest income and \$28,419 in other general revenues.

### Business-Type Activities

Revenues of the District's business-type activities were \$406,834 and expenses were \$400,313. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Colfax-Mingo Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$944,841, below last year's ending fund balance of \$1,231,550. However, the primary reason for the decrease in combined fund balances in fiscal 2008 is due to the capital construction expenses from the Capital Projects Fund and using General Fund carryover balance to meet financial obligations of the District.

### Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. The increase in revenues was more than offset by the increase in expenditures during fiscal year 2008, causing the General Fund balance to decrease.
- The Capital Projects Fund balance decreased from \$303,166 at June 30, 2007 to \$165,432 at June 30, 2008 due to the capital construction and the purchase of kitchen equipment for the School Nutrition program.
- The Debt Service Fund balance increased from \$257,815 at June 30, 2007 to \$388,847 at June 30, 2008 through normal course of transactions made during the year.

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## Proprietary Fund Highlights

The Proprietary Funds net assets increased from a deficit \$64,955 at June 30, 2007 to a deficit \$58,434 at June 30, 2008, representing an increase of 10.04%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Colfax Mingo Community School District amended its budget one time to reflect additional expenditures associated with the instruction, support services and non-instructional programs functions.

The District's revenues were \$286,744 more than budgeted revenues, a variance of 3.29%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functions due to the timing of expenditures at year end without sufficient time to amend the certified budget. For the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$27,754.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$11,568,991, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.89% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$326,222.

The original cost of the District's capital assets was \$15,276,112. Governmental funds account for \$15,106,352 with the remainder of \$169,760 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$7,806 at June 30, 2007, compared to \$0 reported at June 30, 2008. This decrease was caused by the completion of the projects being funded by the Fire Safety Grant.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 123,219	123,219	0	0	123,219	123,219	0.00%
Construction in progress	0	7,806	0	0	0	7,806	-100.00%
Buildings	11,107,227	11,250,141	0	0	11,107,227	11,250,141	-1.27%
Land improvements	128,063	130,951	0	0	128,063	130,951	-2.21%
Machinery and equipment	162,042	137,655	48,440	23,055	210,482	160,710	30.97%
Total	\$ 11,520,551	11,649,772	48,440	23,055	11,568,991	11,672,827	-0.89%

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## Long-Term Debt

At year-end, the District had \$8,842,458 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 5.81% from last years balance of \$9,388,382. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 6,525,000	6,800,000	-4.04%
Revenue bonds	2,090,000	2,385,000	-12.37%
Energy loan	8,059	23,491	-65.69%
Bus lease	40,454	49,500	-18.27%
Lighting loan	19,113	24,623	-22.38%
Van lease	7,470	12,321	-39.37%
Compensated absences	126,048	54,908	129.56%
Early retirement	26,314	38,539	-31.72%
Totals	\$ 8,842,458	9,388,382	-5.81%

The District had \$6,525,000 in general obligation bonds outstanding at June 30, 2008.

The District had \$2,090,000 in revenue bonds outstanding at June 30, 2008.

The District had an energy loan note payable of \$8,059 at June 30, 2008 payable from the General Fund.

The District had a bus lease payable of \$40,454 at June 30, 2008 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had a lighting loan payable of \$19,113 at June 30, 2008 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had a van lease payable of \$7,470 at June 30, 2008 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had compensated absences payable of \$126,048 at June 30, 2008 payable from the General Fund.

The District had early retirement payable of \$26,314 at June 30, 2008 payable from the Special Revenue, Management Levy Fund.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's certified enrollment increased 7.8 students for funding of fiscal year 2008. Projections indicate the District may have declining enrollment in future years.

- 
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.
  - Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
  - On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase Colfax-Mingo Community Schools' employer benefit costs significantly over the next few years.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Hodgson, Board Secretary, Colfax-Mingo Community School District, 1000 North Walnut, Colfax, Iowa, 50054.

## BASIC FINANCIAL STATEMENTS



COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,338,823	0	1,338,823
Other	1,020,757	10,725	1,031,482
Receivables:			
Property tax:			
Delinquent	52,672	0	52,672
Succeeding year	2,691,136	0	2,691,136
Income surtax	274,082	0	274,082
Interfund	144,218	(144,218)	0
Accounts	12,424	0	12,424
Accrued ISCAP interest(Note 5)	507	0	507
Due from other governments	343,818	22,595	366,413
Inventories	0	6,623	6,623
Capital assets, net of accumulated depreciation(Note 6)	11,520,551	48,440	11,568,991
<b>TOTAL ASSETS</b>	<b>17,398,988</b>	<b>(55,835)</b>	<b>17,343,153</b>
<b>LIABILITIES</b>			
Accounts payable	181,719	116	181,835
Contract payable	4,000	0	4,000
Salaries and benefits payable	431,493	0	431,493
ISCAP warrants payable(Note 5)	1,328,000	0	1,328,000
ISCAP accrued interest payable(Note 5)	391	0	391
ISCAP unamortized premium	22,775	0	22,775
Interest payable	87,122	0	87,122
Deferred revenue:			
Succeeding year property tax	2,691,136	0	2,691,136
Unearned revenue	0	2,483	2,483
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	285,000	0	285,000
Revenue bond payable	310,000	0	310,000
Energy loan payable	8,059	0	8,059
Bus lease payable	9,343	0	9,343
Lighting loan payable	5,920	0	5,920
Van lease payable	5,197	0	5,197
Compensated absences payable	126,048	0	126,048
Early retirement payable	12,836	0	12,836
Portion due after one year:			
General obligation bonds payable	6,240,000	0	6,240,000
Revenue bond payable	1,780,000	0	1,780,000
Bus lease payable	31,111	0	31,111
Lighting loan payable	13,193	0	13,193
Van lease payable	2,273	0	2,273
Early retirement payable	13,478	0	13,478
<b>TOTAL LIABILITIES</b>	<b>13,589,094</b>	<b>2,599</b>	<b>13,591,693</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,830,455	48,440	2,878,895
Restricted for:			
Debt service	388,847	0	388,847
Talented and gifted	29,298	0	29,298
Market factor	769	0	769
Professional development	21,903	0	21,903
Market factor incentives	6,070	0	6,070
Capital projects	165,432	0	165,432
Physical plant and equipment levy	79,408	0	79,408
Other special revenue purposes	26,868	0	26,868
Unrestricted	260,844	(106,874)	153,970
<b>TOTAL NET ASSETS</b>	<b>\$ 3,809,894</b>	<b>(58,434)</b>	<b>3,751,460</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,253,860	128,402	719,334	0	(2,406,124)	0	(2,406,124)
Special instruction	1,067,946	76,430	43,593	0	(947,923)	0	(947,923)
Other instruction	938,696	127,880	2,950	0	(807,866)	0	(807,866)
	5,260,502	332,712	765,877	0	(4,161,913)	0	(4,161,913)
Support services:							
Student services	102,857	0	0	0	(102,857)	0	(102,857)
Instructional staff services	132,727	0	0	0	(132,727)	0	(132,727)
Administration services	1,012,688	0	0	0	(1,012,688)	0	(1,012,688)
Operation and maintenance of plant services	655,025	0	0	0	(655,025)	0	(655,025)
Transportation services	352,658	319	1,649	0	(350,690)	0	(350,690)
	2,255,955	319	1,649	0	(2,253,987)	0	(2,253,987)
Other expenditures:							
Facilities and acquisitions	40,345	0	0	45,865	5,520	0	5,520
Long-term debt interest	374,050	0	0	0	(374,050)	0	(374,050)
AEA flowthrough	278,868	0	278,868	0	0	0	0
Depreciation (unallocated) *	252,928	0	0	0	(252,928)	0	(252,928)
	946,191	0	278,868	45,865	(621,458)	0	(621,458)
Total governmental activities	8,462,648	333,031	1,046,394	45,865	(7,037,358)	0	(7,037,358)
Business-Type activities:							
Support services:							
Administration services	61	0	0	0	0	(61)	(61)
Operation and maintenance of plant services	1,404	0	0	0	0	(1,404)	(1,404)
Non-instructional programs:							
Nutrition services	398,848	197,887	180,632	0	0	(20,329)	(20,329)
Total business-type activities	400,313	197,887	180,632	0	0	(21,794)	(21,794)
Total	\$ 8,862,961	530,918	1,227,026	45,865	(7,037,358)	(21,794)	(7,059,152)
<b>General Revenues and Transfers:</b>							
General Revenues:							
Property tax for:							
General purposes				\$ 1,825,902	0	1,825,902	
Debt Service				557,986	0	557,986	
Capital outlay				47,052	0	47,052	
Income surtax				258,919	0	258,919	
Local option sales and services tax				486,750	0	486,750	
Unrestricted state grants				3,901,550	0	3,901,550	
Unrestricted investment earnings				112,303	516	112,819	
Other general revenues				28,419	0	28,419	
Transfers				(27,799)	27,799	0	
Total general revenues and transfers				7,191,082	28,315	7,219,397	
Changes in net assets				153,724	6,521	160,245	
Net assets beginning of year				3,656,170	(64,955)	3,591,215	
Net assets end of year				\$ 3,809,894	(58,434)	3,751,460	

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Debt Service	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 1,338,823	0	0	1,338,823
Other	540,236	307,501	173,020	1,020,757
Receivables:				
Property tax:				
Delinquent	35,184	13,811	3,677	52,672
Succeeding year	1,957,041	552,174	181,921	2,691,136
Income surtax	274,082	0	0	274,082
Interfund	224,511	108,079	95,563	428,153
Accounts	6,744	0	5,680	12,424
Accrued ISCAP interest(Note 5)	507	0	0	507
Due from other governments	210,230	0	133,588	343,818
<b>TOTAL ASSETS</b>	<b>\$ 4,587,358</b>	<b>981,565</b>	<b>593,449</b>	<b>6,162,372</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 135,357	40,544	108,034	283,935
Accounts payable	175,673	0	6,046	181,719
Contracts payable	0	0	4,000	4,000
Salaries and benefits payable	431,493	0	0	431,493
ISCAP warrants payable(Note 5)	1,328,000	0	0	1,328,000
ISCAP accrued interest payable(Note 5)	391	0	0	391
ISCAP unamortized premium	22,775	0	0	22,775
Deferred revenue:				
Succeeding year property tax	1,957,041	552,174	181,921	2,691,136
Income surtax	274,082	0	0	274,082
Total liabilities	4,324,812	592,718	300,001	5,217,531
Fund balances:				
Reserved for:				
Debt service	0	388,847	0	388,847
Talented and gifted	29,298	0	0	29,298
Market factor	769	0	0	769
Professional development	21,903	0	0	21,903
Market factor incentives	6,070	0	0	6,070
Unreserved:				
General	204,506	0	0	204,506
Capital projects	0	0	165,432	165,432
Management levy	0	0	21,740	21,740
Physical plant and equipment levy	0	0	79,408	79,408
Other special revenue purposes	0	0	26,868	26,868
Total fund balances	262,546	388,847	293,448	944,841
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,587,358</b>	<b>981,565</b>	<b>593,449</b>	<b>6,162,372</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 944,841
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,520,551
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	274,082
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(87,122)
Long-term liabilities, including general obligation bonds, revenue bonds, energy loan, bus lease, lighting loan, van lease, compensated absences and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(8,842,458)</u>
Net assets of governmental activities (page 14)	<u>\$ 3,809,894</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,951,458	557,986	655,297	3,164,741
Tuition	172,744	0	0	172,744
Other	172,326	7,267	189,619	369,212
Intermediate sources	5,690	0	0	5,690
State sources	4,690,994	357	109	4,691,460
Federal sources	211,052	0	17,194	228,246
Total revenues	7,204,264	565,610	862,219	8,632,093
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,219,236	0	0	3,219,236
Special instruction	1,061,646	0	0	1,061,646
Other instruction	789,680	0	138,298	927,978
	5,070,562	0	138,298	5,208,860
Support services:				
Student services	102,857	0	0	102,857
Instructional staff services	136,885	0	0	136,885
Administration services	873,880	0	123,128	997,008
Operation and maintenance of plant services	655,826	0	12,444	668,270
Transportation services	395,848	0	0	395,848
	2,165,296	0	135,572	2,300,868
Other expenditures:				
Facilities acquisitions	0	0	139,665	139,665
Long-term debt:				
Principal	0	604,839	0	604,839
Interest and fiscal charges	0	385,912	0	385,912
AEA flowthrough	278,868	0	0	278,868
	278,868	990,751	139,665	1,409,284
Total expenditures	7,514,726	990,751	413,535	8,919,012
Excess(Deficiency) of revenues over(under) expenditures	(310,462)	(425,141)	448,684	(286,919)
Other financing sources(uses):				
Transfer in	0	556,173	0	556,173
Transfer out	(16,594)	0	(539,579)	(556,173)
Sale of equipment	210	0	0	210
Total other financing sources(uses)	(16,384)	556,173	(539,579)	210
Net change in fund balances	(326,846)	131,032	(90,895)	(286,709)
Fund balance beginning of year	589,392	257,815	384,343	1,231,550
Fund balance end of year	\$ 262,546	388,847	293,448	944,841

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

**Net change in fund balances - total governmental funds(page 18)** \$ (286,709)

***Amounts reported for governmental activities in the  
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 188,722	
Depreciation expense	<u>(317,943)</u>	(129,221)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	604,839
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due.

In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	11,862
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

11,868

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	\$ (71,140)	
Early retirement	<u>12,225</u>	<u>(58,915)</u>

<b>Changes in net assets of governmental activities(page 15)</b>	<b><u>\$ 153,724</u></b>
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SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 10,725
Interfund receivable	5,110
Due from other governments	22,595
Inventories	6,623
Capital assets, net of accumulated depreciation(Note 6)	48,440
<b>TOTAL ASSETS</b>	<u>93,493</u>
<b>LIABILITIES</b>	
Interfund payable	149,328
Accounts payable	116
Unearned revenue	2,483
<b>TOTAL LIABILITIES</b>	<u>151,927</u>
<b>NET ASSETS</b>	
Invested in capital assets	48,440
Unrestricted	(106,874)
<b>TOTAL NET ASSETS</b>	<u>\$ (58,434)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 197,887</u>
OPERATING EXPENSES:	
Support services:	
Administration services:	
Services	61
Operation and maintenance of plant services:	
Supplies	1,404
Total support services	<u>1,465</u>
Non-instructional programs:	
Food service operations:	
Salaries	126,799
Benefits	50,777
Services	3,608
Supplies	209,385
Depreciation	8,279
Total non-instructional programs	<u>398,848</u>
TOTAL OPERATING EXPENSES	<u>400,313</u>
OPERATING LOSS	<u>(202,426)</u>
NON-OPERATING REVENUES:	
State sources	4,170
Federal sources	176,462
Interest income	516
TOTAL NON-OPERATING REVENUES	<u>181,148</u>
Net loss before capital contributions	(21,278)
Capital contributions	<u>27,799</u>
Change in net assets	6,521
Net assets beginning of year	<u>(64,955)</u>
Net assets end of year	<u>\$ (58,434)</u>

SEE NOTES TO FINANCIAL STATEMENTS.



COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 197,272
Cash received from miscellaneous	970
Cash payments to employees for services	(177,460)
Cash payments to suppliers for goods or services	(195,698)
Net cash used in operating activities	<u>(174,916)</u>
Cash flows from non-capital financing activities:	
Interfund loan due to the General Fund	47,050
Interfund loan due from the Student Activity Fund	(150)
Interfund loan due from the Management Fund	(1,421)
State grants received	4,170
Federal grants received	133,728
Net cash provided by non-capital financing activities	<u>183,377</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(5,865)</u>
Cash flows from investing activities:	
Interest on investments	<u>516</u>
Net increase in cash and cash equivalents	3,112
Cash and cash equivalents at beginning of year	<u>7,613</u>
Cash and cash equivalents at end of year	<u>\$ 10,725</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (202,426)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,139
Depreciation	8,279
Increase in inventories	(1,379)
Increase in accounts payable	116
Increase in unearned revenue	355
Net cash used in operating activities	<u>\$ (174,916)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 10,725</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$20,139.

During the year ended June 30, 2008, the Nutrition Fund received capital contributions from the Capital Projects Fund of \$27,799.

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 192,492	946
Interest receivable	2,111	0
	<u>194,603</u>	<u>946</u>
<b>LIABILITIES</b>		
Accounts payable	47	0
Due to other groups	0	946
	<u>47</u>	<u>946</u>
<b>NET ASSETS</b>		
Reserved for scholarships	<u>\$ 194,556</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 177,012
Interest income	9,224
Total additions	<u>186,236</u>
Deductions:	
Instruction:	
Other instruction:	
Scholarships awarded	<u>8,297</u>
Change in net assets	177,939
Net assets beginning of year	<u>16,617</u>
Net assets end of year	<u><u>\$ 194,556</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Colfax-Mingo Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Colfax and Mingo, Iowa, and the predominate agricultural territory in Jasper County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Colfax-Mingo Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Colfax-Mingo Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.



Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$27,574.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 416,190</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the District in the District's name. Certificates of Deposit are stated at fair value.

At June 30, 2008, the District had investments in Certificates of Deposit maturing over one year as follows:

	<u>Fair Value</u>
Certificates of Deposit	<u>\$ 188,262</u>

**(3) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 16,594
Debt Service	Special Revenue, Physical Plant and Equipment Levy	24,381
Debt Service	Capital Projects	<u>515,198</u>
Total		<u>\$ 556,173</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

General Fund transferred to the Debt Service Fund to pay the principal and interest for the energy loan.

Physical Plant and Equipment Fund transferred to the Debt Service Fund the principal and interest to pay for the bus lease, lighting loan and van lease.

Capital Projects Fund transferred to the Debt Service Fund local option sales and services tax revenues per revenue bond covenants of the District.

#### (4) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Student Activity	\$ 729
General	Management Levy	6,854
General	Capital Projects	67,600
General	School Nutrition	149,328
Student Activity	General	126
PPEL	Debt Service	5,544
PPEL	General	24,790
Capital Projects	General	30,103
Capital Projects	Debt Service	35,000
Debt Service	General	77,676
Debt Service	Management Levy	300
Debt Service	Capital Projects	30,103
School Nutrition	General	2,662
School Nutrition	Student Activity	1,027
School Nutrition	Management Levy	1,421
Total		<u>\$ 433,263</u>

The Student Activity Fund owes the General Fund for receipts inadvertently deposited into the wrong bank account.

The Management Levy Fund owes the General Fund for cash borrowed during the year.

The Capital Projects Fund owes the General Fund for cash borrowed during the year.

School Nutrition Fund owes the General Fund for salaries and benefits paid in fiscal 2007 and fiscal 2008.

The General Fund owes the Student Activity Fund for receipts inadvertently deposited into the wrong bank account.

The Debt Service Fund is owes the Physical Plant and Equipment Levy Fund for a mower lease payment from fiscal year 2006 that was inadvertently transferred twice. The balance will be repaid by June 30, 2009.

The General Fund owes the PPEL Fund for the proceeds from the Fire Life Safety grant that were deposited into the incorrect bank account.

The General Fund owes the Capital Projects Fund for local option sales and services tax that was receipted into the incorrect bank account.

The Debt Service Fund owes the Capital Projects Fund for monies deposited in the wrong account.

The General Fund owes the Debt Service Fund for monies deposited into the wrong account.

The Management Levy Fund owes the Debt Service Fund for a temporary loan for cashflow.

Capital Projects Fund owes the Debt Service Fund for local option sales and services tax received during fiscal year 2007 that was used to repay outstanding bonds.

The General Fund owes the School Nutrition Fund for deposits placed into the wrong account.

The Student Activity Fund owes the School Nutrition Fund for receipts inadvertently deposited into the wrong bank account.

The Management Levy Fund owes the School Nutrition Fund for a portion of the proceeds received from the District's fidelity bond insurance for items lost from the theft that occurred at the Middle School.

**(5) Iowa School Cash Anticipation Program**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ 1,338,823	507	1,328,000	391

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately

following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	400,000	400,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%
2008-09A	3.500%	3.469%

#### (6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 123,219	0	0	123,219
Construction in progress	7,806	32,720	40,526	0
Total capital assets not being depreciated	131,025	32,720	40,526	123,219
Capital assets being depreciated:				
Buildings	13,506,050	107,126	0	13,613,176
Land improvements	385,435	0	0	385,435
Machinery and equipment	926,597	89,402	31,477	984,522
Total capital assets being depreciated	14,818,082	196,528	31,477	14,983,133
Less accumulated depreciation for:				
Buildings	2,255,909	250,040	0	2,505,949
Land improvements	254,484	2,888	0	257,372
Machinery and equipment	788,942	65,015	31,477	822,480
Total accumulated depreciation	3,299,335	317,943	31,477	3,585,801
Total capital assets being depreciated, net	11,518,747	(121,415)	0	11,397,332
Governmental activities capital assets, net	\$ 11,649,772	(88,695)	40,526	11,520,551
Business-type activities:				
Machinery and equipment	\$ 136,096	33,664	0	169,760
Less accumulated depreciation	113,041	8,279	0	121,320
Business-type activities capital assets, net	\$ 23,055	25,385	0	48,440

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 9,424
Other	15,208

Support services:

Instructional staff	1,040
Administration	1,310
Operation and maintenance of plant	5,662
Transportation	32,371
	<u>65,015</u>

Unallocated depreciation	252,928
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Total governmental activities depreciation expense	<u>\$ 317,943</u>
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Business-type activities:

Food service operations	<u>\$ 8,279</u>
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**(7) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 6,800,000	0	275,000	6,525,000	285,000
Revenue bonds	2,385,000	0	295,000	2,090,000	310,000
Energy loan	23,491	0	15,432	8,059	8,059
Bus lease	49,500	0	9,046	40,454	9,343
Lighting loan	24,623	0	5,510	19,113	5,920
Van lease	12,321	0	4,851	7,470	5,197
Compensated absences	54,908	126,048	54,908	126,048	126,048
Early retirement	38,539	0	12,225	26,314	12,836
Total	<u>\$ 9,388,382</u>	<u>126,048</u>	<u>671,972</u>	<u>8,842,458</u>	<u>762,403</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2003			Bond Issue of November 1, 2004		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2009	2.750 % \$	190,000	65,001	3.10-3.30 % \$	85,000	162,880
2010	3.000	195,000	59,776	3.30	85,000	160,115
2011	3.125	205,000	53,926	3.30-3.45	85,000	157,310
2012	3.300	205,000	47,520	3.45-3.60	95,000	154,321
2013	3.400	210,000	40,755	3.60-3.85	100,000	150,845
2014-2018	3.500-3.800	920,000	86,465	3.85-4.13	815,000	689,652
2019-2023	-	-	-	4.05-4.50	2,135,000	379,078
2024-2025	-	-	-	4.50-4.60	485,000	16,730
Total		<u>\$ 1,925,000</u>	<u>353,443</u>		<u>\$ 3,885,000</u>	<u>1,870,931</u>

Year Ending June 30,	Bond Issue of May 1, 2005			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2009	5.75 % \$	10,000	39,293	\$ 285,000	267,174	552,174
2010	5.75	10,000	38,717	290,000	258,608	548,608
2011	5.75	10,000	38,143	300,000	249,379	549,379
2012	5.75	10,000	37,567	310,000	239,408	549,408
2013	5.75	10,000	36,993	320,000	228,593	548,593
2014-2018	5.75	55,000	142,220	1,790,000	918,337	2,708,337
2019-2023	5.75	75,000	161,963	2,210,000	541,041	2,751,041
2024-2025	5.75-5.40	535,000	86,828	1,020,000	103,558	1,123,558
Total		\$ 715,000	581,724	\$ 6,525,000	2,806,098	9,331,098

#### Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2005			
	Interest Rates	Principal	Interest	Total
2009	4.80 % \$	310,000	88,892	398,892
2010	4.80-4.75	325,000	73,892	398,892
2011	4.75	340,000	58,178	398,178
2012	4.00	360,000	42,028	402,028
2013	4.00	370,000	26,690	396,690
2014	4.10	385,000	11,690	396,690
Total		\$ 2,090,000	301,370	2,391,370

The District has pledged future local option sales and services tax revenues to repay the \$2,825,000 in bonds issued July 1, 2005. The bonds were issued for the purpose of defraying a portion of the cost of renovations at the school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 82 percent of the local option sales and service tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,391,370. For the current year \$398,292 in principal and interest was paid on the bonds and total local option sales and services tax revenues were \$486,750.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

- c) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account should be transferred to the Reserve Account to build its balance to \$282,500. The \$282,500 shall be held in the Reserve Account solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
- d) Any monies in excess after the required transfers to the Sinking Account and Reserve Account may be transferred to the Project Account to be used for any lawful purpose.

#### Energy Loan Note

During the fiscal year ended June 30, 1997, the District entered into an Energy Management Improvement Capital Loan Note to be paid from the General Fund. Details of the loan repayments are as follows:

Year Ending June 30,	Note Issue of September 4, 1996				
	Interest Rates		Principal	Interest	Total
2009	5.90	% \$	8,059	238	8,297

#### Bus Lease

During the year ended June 30, 2007, the District entered into a bus lease agreement with Kansas State Bank of Manhattan. The lease requires annual payments of \$11,490. The lease will be repaid with property taxes levied in the Physical Plant and Equipment Levy Fund. Details of the District's lease payments are as follows:

Year Ending June 30,	Bus Lease of October 15, 2007				
	Interest Rates		Principal	Interest	Total
2009	4.94	% \$	9,343	2,147	11,490
2010	4.94		9,839	1,651	11,490
2011	4.94		10,361	1,129	11,490
2012	4.94		10,911	579	11,490
Total		\$	40,454	5,506	45,960

#### Lighting Loan

During the year ended June 30, 2007, the District entered into a loan for football field lighting with Musco Finance. The loan requires annual payments of \$7,341. The loan will be repaid with property taxes levied in the Physical Plant and Equipment Levy Fund. Details of the District's loan payments are as follows:



Year Ending June 30,	Lighting Loan of August 22, 2006				
	Interest Rates		Principal	Interest	Total
2009	7.12	% \$	5,920	1,421	7,341
2010	7.12		6,360	981	7,341
2011	7.12		6,833	508	7,341
Total		\$	19,113	2,910	22,023

#### Van Lease

During the year ended June 30, 2007, the District entered into a lease for a van with the Colfax-Mingo Education Foundation. The lease requires monthly payments of \$462.47. The loan will be repaid with property taxes levied in the Physical Plant and Equipment Levy Fund. Details of the District's lease payments are as follows:

Year Ending June 30,	Van Lease of November 20, 2006				
	Interest Rates		Principal	Interest	Total
2009	5.67	% \$	5,197	353	5,550
2010	5.67		2,273	39	2,312
Total		\$	7,470	392	7,862

#### Early Retirement

The District offered a voluntary early retirement plan to its licensed employees. Eligible employees must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is 1% of the employee's salary times the number of years of service. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$12,225. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the government-wide financial statements representing the District's commitment to fund non-current early retirement of \$26,314.

#### **(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the

years ended June 30, 2008, 2007 and 2006 were \$260,706, \$222,156 and \$226,298 respectively, equal to the required contributions for each year.

**(9) Risk Management**

Colfax-Mingo Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$278,868 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$27,574.

**(12) Deficit Unrestricted Net Assets/Fund Balance**

The Enterprise, School Nutrition Fund had a deficit unrestricted net asset balance of \$106,874 at June 30, 2008.

**(13) Operating Lease Obligation**

The District leases a transportation facility on a monthly basis. The lease contract extends through June 30, 2016. Annual lease payments are \$12,000.

**(14) Preschool Lease**

The District is leasing a classroom to the Colfax Community Preschool. The lease contract began August 1, 2006 and does not specify length terms. Annual lease payments are \$1.

REQUIRED SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type				Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 3,706,697	198,403	3,905,100	3,781,373	3,781,373	123,727
Intermediate sources	5,690	0	5,690	288,491	288,491	(282,801)
State sources	4,691,460	4,170	4,695,630	4,504,490	4,504,490	191,140
Federal sources	228,246	176,462	404,708	150,000	150,000	254,708
Total revenues	8,632,093	379,035	9,011,128	8,724,354	8,724,354	286,774
Expenditures:						
Instruction	5,208,860	0	5,208,860	5,088,000	5,249,795	40,935
Support services	2,300,868	1,465	2,302,333	2,137,864	2,405,467	103,134
Non-instructional programs	0	398,848	398,848	320,000	362,050	(36,798)
Other expenditures	1,409,284	0	1,409,284	1,332,276	1,332,276	(77,008)
Total expenditures	8,919,012	400,313	9,319,325	8,878,140	9,349,588	30,263
Excess(Deficiency) of revenues over(under) expenditures	(286,919)	(21,278)	(308,197)	(153,786)	(625,234)	317,037
Other financing sources, net	210	27,799	28,009	0	0	28,009
Excess(Deficiency) of revenues and and other financing sources over(under) expenditures	(286,709)	6,521	(280,188)	(153,786)	(625,234)	345,046
Balance beginning of year	1,231,550	(64,955)	1,166,595	814,738	814,738	351,857
Balance end of year	\$ 944,841	(58,434)	886,407	660,952	189,504	696,903

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2008, the District adopted one budget amendment increasing budgeted expenditures by \$471,448.

During the year ended June 30, 2008, expenditures in the non-instructional programs and other expenditures functions exceeded budgeted amounts. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$27,574.

OTHER SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Special Revenue Funds				Total	
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 23,650	33,021	47,905	104,576	68,444	173,020
Receivables:						
Property tax:						
Current year delinquent	2,508	0	1,169	3,677	0	3,677
Succeeding year	134,000	0	47,921	181,921	0	181,921
Interfund	0	126	30,334	30,460	65,103	95,563
Accounts	5,680	0	0	5,680	0	5,680
Due from other governments	0	0	0	0	133,588	133,588
<b>TOTAL ASSETS</b>	<b>\$ 165,838</b>	<b>33,147</b>	<b>127,329</b>	<b>326,314</b>	<b>267,135</b>	<b>593,449</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Interfund payable	\$ 8,575	1,756	0	10,331	97,703	108,034
Accounts payable	1,523	4,523	0	6,046	0	6,046
Contracts payable	0	0	0	0	4,000	4,000
Deferred revenue:						
Succeeding year property tax	134,000	0	47,921	181,921	0	181,921
Total liabilities	144,098	6,279	47,921	198,298	101,703	300,001
Unreserved fund balances	21,740	26,868	79,408	128,016	165,432	293,448
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 165,838</b>	<b>33,147</b>	<b>127,329</b>	<b>326,314</b>	<b>267,135</b>	<b>593,449</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	
Revenues:						
Local sources:						
Local tax	\$ 121,495	0	47,052	168,547	486,750	655,297
Other	25,439	131,425	29,186	186,050	3,569	189,619
State sources	79	0	30	109	0	109
Federal sources	0	0	17,194	17,194	0	17,194
Total revenues	147,013	131,425	93,462	371,900	490,319	862,219
Expenditures:						
Current:						
Instruction:						
Other instruction	0	138,298	0	138,298	0	138,298
Support services:						
Administration services	123,128	0	0	123,128	0	123,128
Operation and maintenance of plant services	0	0	12,444	12,444	0	12,444
Other expenditures:						
Facilities acquisitions	0	0	26,810	26,810	112,855	139,665
Total expenditures	123,128	138,298	39,254	300,680	112,855	413,535
Excess(Deficiency) of revenues over(under) expenditures	23,885	(6,873)	54,208	71,220	377,464	448,684
Other financing uses:						
Transfer out	0	0	(24,381)	(24,381)	(515,198)	(539,579)
Net change in fund balances	23,885	(6,873)	29,827	46,839	(137,734)	(90,895)
Fund balances beginning of year	(2,145)	33,741	49,581	81,177	303,166	384,343
Fund balances end of year	\$ 21,740	26,868	79,408	128,016	165,432	293,448

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Fair Concessions	\$ 1,019	2,306	2,122	1,203
Student Council	6,502	0	0	6,502
Elementary	(2,788)	10,312	10,799	(3,275)
Zoo Trip	25	0	0	25
Chorus	(27)	0	0	(27)
Band	228	0	25	203
Interest	0	299	0	299
Cheerleaders	3,243	0	281	2,962
Student Council	(1,807)	0	359	(2,166)
Middle	3,631	25,908	20,122	9,417
MS Tag	601	0	0	601
Drama	939	758	591	1,106
Speech	182	814	795	201
Chorus	2,138	599	10	2,727
Band	1,226	599	0	1,825
Athletics	(14,785)	4,900	17,962	(27,847)
Cross Country	(3,730)	859	1,948	(4,819)
Boys Basketball	11,939	2,218	2,320	11,837
Football	12,266	12,866	5,113	20,019
Baseball	(8,803)	6,644	9,727	(11,886)
Boys Track	(6,208)	256	733	(6,685)
Boys Golf	(2,178)	447	1,056	(2,787)
HS Swimming	36	103	136	3
Wrestling	(1,214)	3,082	2,085	(217)
Girls Basketball	7,943	3,499	3,670	7,772
Volleyball	2,989	2,011	2,600	2,400
Softball	5,177	4,515	6,223	3,469
Girls Track	(1,043)	1,420	2,879	(2,502)
Girls Golf	(1,788)	100	624	(2,312)
Interest	22	295	0	317
Cheerleaders	933	3,319	5,410	(1,158)
Student Council	17,932	5,643	5,738	17,837
Student of the Month	0	0	129	(129)
Annual	(8,887)	5,829	7,285	(10,343)
Art Club	21	60	0	81
Class of 2006	1,199	0	0	1,199
Class of 2007	331	0	0	331
Class of 2008	129	365	2,434	(1,940)
Class of 2009	89	6,510	4,281	2,318
Class of 2010	10	5	50	(35)
Class of 2012	0	119	0	119
FFA	1,627	9,714	11,314	27
Icons Club	137	0	0	137
Business Professionals	0	1,449	395	1,054
HS Book Club	0	1,502	0	1,502
Sound Club	1,328	72	92	1,308
Spanish Club	(327)	6,685	3,832	2,526
Tigerhawk Club	377	0	0	377
Wrestling Pep Club	1,396	374	0	1,770
ISEC	559	0	0	559
Drill Team	1,152	4,969	5,158	963
Total	\$ 33,741	131,425	138,298	26,868

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2008

	Capital Project Funds			
	High School Capital Projects	Elementary Capital Projects	Local Option Sales and Services Tax	Total Capital Projects
<b>ASSETS</b>				
Cash and pooled investments	\$ 65,130	3,313	1	68,444
Interfund receivable	35,000	0	30,103	65,103
Due from other governments	0	0	133,588	133,588
<b>TOTAL ASSETS</b>	<b>\$ 100,130</b>	<b>3,313</b>	<b>163,692</b>	<b>267,135</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 67,600	0	30,103	97,703
Contracts payable	4,000	0	0	4,000
Total liabilities	71,600	0	30,103	101,703
Fund balances:				
Unreserved:				
Capital projects	28,530	3,313	133,589	165,432
Total fund balances	28,530	3,313	133,589	165,432
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 100,130</b>	<b>3,313</b>	<b>163,692</b>	<b>267,135</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2008

	Capital Project Fund			
	High School	Elementary	Local Option	Total
	Capital Projects	Capital Projects	Sales and Services Tax	
REVENUES:				
Local sources:				
Local tax	\$ 0	0	486,750	486,750
Other	3,447	122	0	3,569
Total revenues	3,447	122	486,750	490,319
EXPENDITURES:				
Other expenditures:				
Facilities acquisitions	112,855	0	0	112,855
Total expenditures	112,855	0	0	112,855
Excess(Deficiency) of revenues over(under) expenditures	(109,408)	122	486,750	377,464
OTHER FINANCING USES:				
Transfer out	0	0	(515,198)	(515,198)
Net change in fund balances	(109,408)	122	(28,448)	(137,734)
Fund balances beginning of year	137,938	3,191	162,037	303,166
Fund balances end of year	\$ 28,530	3,313	133,589	165,432

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008

Private Purpose Trust - Scholarship Fund					
	Umphress- Schollosser Scholarship	Jennings Scholarship	Tobin Coates Scholarship	Spanish Club Scholarship	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 14,455	2,631	175,406	0	192,492
Interest receivable	302	0	0	1,809	2,111
<b>TOTAL ASSETS</b>	<b>14,757</b>	<b>2,631</b>	<b>175,406</b>	<b>1,809</b>	<b>194,603</b>
<b>LIABILITIES</b>					
Accounts payable	47	0	0	0	47
<b>NET ASSETS</b>					
Reserved for scholarships	\$ 14,710	2,631	175,406	1,809	194,556

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 YEAR ENDED JUNE 30, 2008

Private Purpose Trust - Scholarship Fund					
	Umphress- Schlosser Scholarship	Jennings Scholarship	Tobin Coates Scholarship	Spanish Club Scholarship	Total
ADDITIONS:					
Local sources:					
Gifts and contributions	\$ 600	0	174,662	1,750	177,012
Interest income	573	98	6,744	1,809	9,224
	1,173	98	181,406	3,559	186,236
DEDUCTIONS:					
Instruction:					
Other instruction:					
Scholarships awarded	447	100	6,000	1,750	8,297
Changes in net assets	726	(2)	175,406	1,809	177,939
Net assets beginning of year	13,984	2,633	0	0	16,617
Net assets end of year	\$ 14,710	2,631	175,406	1,809	194,556

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 1,149	6,055	6,258	946
Liabilities				
Due to other groups	\$ 1,149	6,055	6,258	946

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

Modified Accrual Basis					
Years Ended June 30,					
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 3,164,741	3,276,124	3,020,975	2,861,673	2,846,958
Tuition	172,744	119,091	171,293	163,230	74,551
Other	369,212	436,926	447,273	391,548	191,329
Intermediate sources	5,690	2,088	0	0	0
State sources	4,691,460	4,294,204	4,240,763	3,987,537	3,975,253
Federal sources	228,246	167,700	182,164	171,778	183,185
Total	\$ 8,632,093	8,296,133	8,062,468	7,575,766	7,271,276
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,219,236	3,044,310	3,063,337	2,876,442	2,842,724
Special instruction	1,061,646	823,207	855,427	1,060,881	996,430
Other instruction	927,978	874,839	872,374	727,393	569,299
Support services:					
Student services	102,857	99,401	162,948	98,931	126,527
Instructional staff services	136,885	135,260	210,439	108,053	105,617
Administration services	997,008	1,033,717	854,325	850,644	724,529
Operation and maintenance of plant services	668,270	684,346	530,425	544,323	463,843
Transportation services	395,848	321,682	275,014	367,899	303,858
Other services	0	0	0	0	5,245
Other expenditures:					
Facilities acquisitions	139,665	1,570,588	6,042,327	895,229	0
Long-term debt:					
Principal	604,839	601,023	387,865	183,150	162,230
Interest and fiscal charges	385,912	404,039	496,026	85,512	103,609
AEA flow-through	278,868	261,144	253,475	248,379	253,884
Total	\$ 8,919,012	9,853,556	14,003,982	8,046,836	6,657,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

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### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Colfax-Mingo Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colfax-Mingo Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Colfax-Mingo Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Colfax-Mingo Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Colfax-Mingo Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Colfax-Mingo Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Colfax-Mingo Community School District's financial statements that is more than inconsequential will not be prevented or detected by Colfax-Mingo Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Colfax-Mingo Community School District's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08, I-B-08, I-D-08, I-J-08, I-N-08 and I-Q-08, are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colfax-Mingo Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Colfax-Mingo Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Colfax-Mingo Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Colfax-Mingo Community School District and other parties to whom Colfax-Mingo Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Colfax-Mingo Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2009

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Internal Controls - One of the most important responsibilities of the District is to maintain a system of internal control for efficient operation. The District's Board of Directors is responsible for making policies and procedures that safeguard District assets, ensure District financial information is accurate and ensure employees are complying with laws and regulations pertinent to the District. The successful operation of the District's internal controls is dependent upon having sufficient and properly trained management and personnel to ensure that the policies and procedures formed by the Board of Directors are being followed. From our audit it appears the District's internal control structure has several breakdowns, some of which are apparent in the comments that follow in the remainder of this report.

Recommendation - The District's Board of Directors and management staff should review policies and procedures in place and evaluate the effectiveness of internal controls currently in place. Changes in the internal control structure will have to be made for the District to gain full effectiveness of internal control. Additional training may be necessary to achieve this goal.

Response - The Fiscal Department is addressing the need for more internal control as follows:

- a. Creation and distribution of an employee Procedure Manual which will be completed and distributed to employees during the month of June 2009.
- b. Creation and distribution of forms to be completed, signed and dated by appropriate personnel in applicable instances.
- c. Staff development on accounting software and automated lunch program with Fiscal Department and vendors.

Conclusion - Response accepted.

- I-B-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The majority of cash receipts and bank deposits are done at the building level. All posting of receipts to the accounting software system is done in the Fiscal Department. However, on occasion the Fiscal Department does receive monies, receipt and deposit those monies, and post the receipts to system. In those instances, the Fiscal

Department will segregate these duties between the two department employees by assigning one to receipt and deposit, and the other to post the receipts to system, or may recruit a third staff member outside of the department to receipt and deposit . This will be addressed in the Procedure Manual.

Conclusion - Response accepted.

- I-C-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The Fiscal Department continues to network with other districts and associations to learn more efficient and reliable methods for inventory tracking and depreciation, especially in regards to the nutrition account. With the help of the Administration, the department will pursue timely reports from appropriate personnel in order to have all of the necessary documentation to make these adjustments accurately and timely.

Conclusion - Response accepted.

- I-D-08 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - There are peak times during the fiscal year when other reporting obligations do not allow Fiscal Department personnel to complete reconciliations timely. The Fiscal Department is considering additional external departmental help with some of the software accounting entry duties during these peak times to alleviate work load and keep all reporting requirements timely. Upcoming changes to reporting methods on certain State reports may also benefit the department.

Conclusion - Response accepted.

- I-E-08 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however these changes are not kept up to date and are not being kept on the District's software system. Fixed assets are required to be maintained for financial statement presentation.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes.

Response - The Fiscal Department will investigate the fixed asset software system with the current vendor to determine its usefulness and efficiency. This will require attendance to software training sessions and internal departmental training. Any new procedures implemented as a result of this will be incorporated into the Procedure Manual.

Conclusion - Response accepted.

- I-F-08 Grants - We noted during our audit that when revenues and expenditures for specific projects were posted; it appeared that the revenues and expenditures were not always properly posted to the appropriate projects.

Recommendation - The District should review the coding of receipts and bills, to ensure that all receipts and bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The recent implementation of the automated purchase order system helps ensure all disbursements are coded correctly and processed timely. This will be beneficial for appropriated funds, also, as a current and accurate balance can be maintained on the software system. The Fiscal Department will periodically review the line-item accounts to determine that they are in compliance with the current Uniform Financial Accounting guidelines.

Conclusion - Response accepted.

- I-G-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The District has interest accounts in the Student Activity Fund. It appears that interest earned was not allocated during the year. Interest received in these accounts should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

Currently, donations from Target are recorded in the Middle School account in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

The Elementary and Middle School accounts have Lifetouch picture commissions receipted into them. The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

The District writes various checks throughout the year for start up cash for change boxes at the gate for District events. It was noted that checks were being written to "Gate Money" instead of the custodian/sponsor for these events. Checks made out to "Gate Money" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

We noted during our audit that the District has a Class of 2006 and a Class of 2007 account. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The Fiscal Department will work with Administration to set criteria and direction for distributing interest and unspent class balances. Deposits to the appropriate accounts, including Target donations and commissions from school pictures will be addressed in the Procedure Manual. The current procedure of processing checks for "Football Gate Money", etc. will be replaced with a request for gate monies paid to the order of Colfax-Mingo School District and the sponsor of the event.

Conclusion - Response accepted.

- I-H-08 Purchase Orders - We noted during our audit that the District currently uses purchases orders in the purchasing process, however the Student Activity Fund and the General Fund had instances of purchase orders that were completed after the product had been ordered.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The Fiscal Department implemented the automated purchase order system during fiscal year 2009. Notable improvement in this area should be evident in fiscal 2009.

Conclusion - Response accepted.

- I-I-08 Reconciliation of Advertisements - We noted during our audit that the District sells yearbook advertisements. However, there is not a reconciliation of sponsor payments to the actual published advertisements in the yearbook.

Recommendation - The District should implement procedures to reconcile sponsor payments to advertisements for the yearbook prior to publishing the yearbook. In addition, the yearbook advisor should turn the reconciliation into the central office for review and verification by central office staff. The reconciliation should be available at the time of audit.

Response - The Fiscal Department will prepare a form for the yearbook sponsor to document the ad-to-sponsor payment process for future audit reference.

Conclusion - Response accepted.

- I-J-08 Timely and Accurate Posting of Receipts - We noted during our audit that receipts were being posted to the computer in a batch entry including several months at a time. In addition, the receipts in the Student Activity Fund could not be traced back to the general ledger posting. It was also noted that sometimes receipts were not always being posted to the correct fund or not being posted to the accounting system at all thus creating some of the interfund receivables and payables on Note 4 of the Notes to the Financial Statements on pages 32-33.

Recommendation - The District should post receipts in detail to the general ledger on a monthly basis. Support documentation should be made available to support receipts posted to the accounting system. The District should post the receipt in monthly batches to assist in the bank reconciliation to assure monies are being deposited in the proper fund, as well as record retention and availability at the time of audit.

Response - There are peak times during the fiscal year when other reporting obligations do not allow Fiscal Department personnel to post receipts timely or there are too many receipts to post at one time. The Fiscal Department is considering additional external departmental help with some of the software accounting entry duties during these peak times to alleviate work load and keep all reporting requirements timely. This deficiency will be reduced in conjunction with timely reconciliations as addressed in I-D-08.

Conclusion – Response accepted.

- I-K-08 Timely Deposits - We noted during our audit that deposits were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - Administration has addressed this issue previously, and significant improvement should be notable by next audit. The Procedure Manual will also address the process to ensure timely deposits.

Conclusion - Response accepted.

I-L-08 Interfund Loans - We noted during our audit the District has numerous interfund loans between various funds. These can be viewed in Note 4 of the Notes to the Financial Statements on pages 32-33.

Recommendation - Funds should be transferred between accounts to resolve these loans. The District should consider a workout plan to repay the major balance between the General Fund and School Nutrition Fund.

Response - Interfund loans noted previously on pages 32-33 have been resolved except for the interfund loan between the General Fund and the School Nutrition Fund. The District is working on developing a plan to reduce the interfund loan.

Conclusion - Response accepted.

I-M-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The Fiscal Department has developed a form for use by non-certified staff coaches and will implement immediately. The Procedure Manual will also include this form.

Conclusion - Response accepted.

I-N-08 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We note that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The District actually maintains multiple layers of receipting from sponsors, to the building office and to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - Currently, all fundraising activity must be documented on a request form and approved by the Board of Directors before implementation. The Fiscal Department has developed a form to be used in conjunction with this approval process. This form is to be completed with pertinent information that will ensure balances of receipts to expenditures, accountability of all collections, and will protect parties involved in money collections.

The Fiscal Department is considering additional external departmental help to track fundraisers and appropriate documentation. The Procedure Manual will also include procedures for fundraising sponsors and the appropriate forms.

Conclusion - Response accepted.

- I-O-08 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all event admissions. Currently, the District's practice is to use pre-numbered tickets for sporting events only.

Also, during the audit it appeared that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director. At times it appeared that the Athletic Director's secretary was the only person reconciling the gate receipts.

Recommendation - The District should use pre-numbered tickets for all events that there is an admission fee charged and reconciliation procedures set up by the District should be required to be performed.

The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - The District does not currently use pre-numbered tickets for school plays, etc. The District will begin this practice immediately. Administration will develop appropriate procedures for post-game change box reconciliation. The Procedure Manual will also include these procedures and the appropriate forms.

Conclusion - Response accepted.

- I-P-08 Agency Fund - During our audit we noted the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the District serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or a parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund".

Currently, the District appears to be accounting for the Post Prom incorrectly.



Recommendation - Management should review the Post Prom account in the Agency Fund and determine how the account should truly be accounted for. Monies accounted for in the Agency Fund should be the property of an entity that has its own federal identification number and would be considered a legally separate entity.

Currently, the District's Post Prom uses the District's federal identification number; therefore, it would appear that the funds contained in this account are District's funds and not those of an outside organization as described above. The transactions for this account should be recorded in the most appropriate fund where standard District policies and procedures should be followed and subjected to the same level of accounting as any other transactions currently recorded in the District's records.

Response - The Post-Prom Committee will pursue its own federal identification number, which will remove it from the District's accountability. If unable to obtain this, the committee will process all activities through the Fiscal Department and on to the Board of Education for approval.

Conclusion - Response accepted.

- I-Q-08 Nutrition Fund - Current procedures in place by the District do not allow employees to collect cash from students for a la carte or other items while going through the lunch line. These types of sales are to be charged against the student account balances using the electronic system the District has in place. However, employees at the Elementary and Middle School do not follow these procedures. Cash collections are made by the cooks from the students for items and the collection is subsequently safeguarded in the kitchen freezer overnight. The following morning the Food Service Director stops to take the cash to the Elementary to be counted and deposited.

Recommendation - Employees of the District should follow established procedures that were put in place for cash collections. Payments should be made to office personnel where the payment would subsequently be credited to each individual student's lunch account. Then when the students purchase a la carte and other food items the individual student's account is reduced to reflect the purchase. The District should refrain from safeguarding cash in the freezer. If a deposit is unable to be made, the cash should be taken and stored in the office vault until a deposit can be made. In addition, since the nutrition reports for state filing are prepared using the District's electronic system, it appears that the ala carte and cash sales may not be properly reported due to the need of manual adjustment.

Response - Administration has addressed the need to follow established procedures with personnel and improvement should be notable. Additional nutrition software training is being pursued with the JMC accounting vendor for internal personnel to ensure accuracy, consistency and purpose of reports from the system will serve the accounting needs adequately.

Conclusion - Response accepted.

- I-R-08 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The Fiscal Department will coordinate with the Nutrition staff to get the correct price listing and apply it to applicable ending inventory.

Conclusion - Response accepted.

- I-S-08 School Accounting Software - We noted during our audit that the District's Board of Directors is receiving a financial statement that includes revenues and expenditures for each fund in the form of an Excel spreadsheet. Expenses and revenues that were on the spreadsheet were not always being posted to the official records on the District's accounting software (See comment I-J-08). The District does not receive copies of the official records from the District's Uniform Financial Accounting system because of the lack of posting of all receipts to the system in a timely manner. The District may maintain subsidiary records for District activities, but all official records of the District shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly.

Recommendation - Reconciliations of subsidiary records to the official records should be done monthly. District personnel should receive additional training on how to properly maintain the official records on the District's Uniform Financial Accounting system. The District's Uniform Accounting software has the flexibility to download financial statements to spreadsheets for use; however the accounting software should be maintained accurately as the official records of the District.

Response - The current reports created in Excel may contain information that is not yet posted to the accounting software system, but that activity is applicable to that fund. These Excel formats allowed for additional fund activity to be added as comments for Board consideration. The Fiscal Department will begin submitting system-generated reports, perhaps accompanied by user friendly Excel sheets that correlate to the system reports. The Fiscal Department will also pursue Report Writer program options available on the accounting software system.

Conclusion - Response accepted.

- I-T-08 Federal Grant Reimbursement Claims - We noted during our audit that free and reduced meal and fruit and vegetable grant claims were not being filed timely by the District. As a result, subsequent funding was not received by the District in a timely manner.

Recommendation - The District should review procedures in place to the filing of grant reimbursement claims. Grant reimbursement claims should be filed in a timely manner to maintain cashflow for the Nutrition Fund.

Response - Claims were filed timely throughout the year, but the May claims were not filed until July. This was an oversight by the Fiscal Department, as the department was heavily involved in extra transitioning staff to new medical coverage in the month of June, preparing to launch a new purchase order system, in addition to normal year-end projects for closing. All claims since then have been filed in a timely manner.

Conclusion - Response accepted.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, exceeded the certified budget amounts in the non-instructional programs and other expenditures functions. The District exceeded its General Fund unspent authorized budget by \$27,574.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District amended the fiscal 2008 budget last May, which amended the Instruction and Support Services functions adequately, but was not adequate for the other two functions. Upon review, this can be attributed to expenditures accrued after year-end that were not documented with purchase orders or were unanticipated by the Fiscal Department. The new automated purchase order system in place now should help the District address any amendments more accurately for fiscal 2009. The District was unaware that pending adjustments by auditors would further affect the District's spending authority at the time the Certified Annual Report was filed. However, the District does have a workout plan in place for fiscal 2009 and will be addressing SBRC next spring with this plan.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted during our audit that the District wrote checks that were subsequently cashed to purchase gift cards/certificates or Colfax Bux to give to students for sales incentives or as a reward for the Student of the Month. Gift cards/certificates and Colfax Bux do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will refrain from making expenditures as these in the future. The District will seek the advice of their auditors in the event such incidences arise again.

Conclusion - Response accepted.

- II-C-08 Travel Expense - No travel advances to District officials or employees were noted; however, we noted that the District reimbursed a board member for travel expenses for his spouse to accompany him to the National School Board Convention.

We noted during our audit that according to District board policy 803.8 employees are to be reimbursed mileage at the rate of 25¢ per mile; however, the District is reimbursing employees at the rate of 35¢ per mile.

Recommendation - The District needs to review expenditures for the trip with the board member and determine the amount that needs to be reimbursed to the District.

The District needs to reimburse employees at the current rate per mile stated in board policy 803.8. The board can elect to review the policy and adopt a new policy. Policies need to be explained and disseminated to employees.

Response - The board member has reimbursed the District for expenditures inadvertently paid for his spouse. The District will update the board policy to reflect current mileage reimbursements agreed to in the CMEA Master Contract and the AFSCME Union contract.

Conclusion - Response accepted.

- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kelly Wilson, District Treasurer Spouse owns First Impression Printing	Purchased Services	\$143

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the district treasurer does not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner. Also, the District made transfers from the General, PPEL and Capital Projects Funds to the Debt Service Fund for debt payments throughout the year. The transfers could not be traced to Board approval in the minutes prior to the actual transfers being made.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. The District should have the Board of Directors approve all fund transfers prior to the actual transfers being made and document approval and amounts as part of the record in the minutes.

Response - The District will publish minutes timely and any transfers between funds will be approved by the Board via expenditure approval or approval of financial statements.

Conclusion - Response accepted.

- II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students on Line 1 was overstated by 1.8 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The report will be filed timely with the Department of Education here forward.

Conclusion - Response accepted.

II-J-08 Financial Condition - We noted during our audit that the School Nutrition Fund had deficit unrestricted net assets of \$106,874 at June 30, 2008. We also noted during our audit that the Special Revenue, Student Activity Fund has sixteen of fifty-one accounts with deficit balances totaling \$78,128.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review the controls in place for the Student Activity Fund. Additional controls for approving purchases may be needed as well as timely posting of receipts would improve the ability to know where the balance is at in each of the accounts. In addition, the District should create a workout plan to address the deficit Student Activity Fund account balances.

Response - The Administration will work closely with these two funds to resolve the current situation or develop a plan towards resolution.

Conclusion - Response accepted.

II-K-08 PPEL Expenditures - We noted during our audit that the District had purchases from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased five window air conditioners for \$2,266. These purchases are below the \$500 per unit of equipment restriction stated in 298.3 of the Code of Iowa.

Recommendation - Since the District had allowable PPEL Fund expenditures from the General Fund, we did not request a corrective transfer on the financial statements. The District should review Chapter 298.3 of the Code of Iowa for allowability of expenditures from the PPEL Fund.

Response - The District will monitor PPEL expenditures to ensure they are in compliance with Iowa Code.

Conclusion - Response accepted.

II-L-08 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity Fund, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor

payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - The District will develop policies and/or procedures to ensure contracts are in place for all officiating personnel, and that those contracts are forwarded to the Fiscal Department as supporting documents for payments.

Conclusion - Response accepted.

- II-M-08 Officiating Contracts - We noted during our audit that the Athletic Director or the conference commissioner was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will develop policies and/or procedures to ensure contracts are submitted to and signed by the Board President in compliance with Iowa Code.

Conclusion - Response accepted.

- II-N-08 Revenue Bonds - According to the revenue bond covenants the District has with the bonding agent, all local option sales and services tax revenues are to be placed in the Debt Sinking Fund. When the State electronically direct deposited to the District's bank for the local option sales tax, the money was placed into the wrong account for two months. Since bank reconciliations are not completed in a timely manner the deposit errors were not discovered and the transfers of the local option sales tax to the correct debt sinking account could not be made in a timely manner.

Recommendation - In accordance with the District's bond covenants, the District needs to be aware of when the local option sales tax is direct deposited into their account and make the necessary transfers. Timely reconciliations would aid in making adjustments when deposits are made into the wrong accounts.

Response - The Fiscal Department is considering additional external departmental help with some of the software accounting entry duties during these peak times to alleviate work load and keep all reporting requirements timely as addressed in I-D-08.

Conclusion - Response accepted.

- II-O-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Response - The Fiscal Department will review and address any outstanding checks and handle them accordingly.

Conclusion - Response accepted.